

Message Text

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70

ACTION ARA-10

INFO OCT-01 AF-06 EUR-12 EA-06 NEA-09 ISO-00 ERDA-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07

FPC-01 H-02 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01

PM-03 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03

PA-01 PRS-01 USIA-06 FEA-01 /126 W

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R 251445Z MAR 75

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 4917

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

AMCONSUL GUAYAQUIL

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

USMISSION OECD PARIS

C O N F I D E N T I A L QUITO 2048

E.O. 11652: GDS

TAGS: ENRG, EC

SUBJ: ECUADOR REQUESTS FINANCIAL ASSISTANCE FROM OPEC

1. PRESIDENT RODRIGUEZ LARA ANNOUNCED MARCH 22 IN GUAYAQUIL THAT ECUADOR SUBMITTED TO IRAN, KUWAIT, AND SAUDI ARABIA AT ALGIERS LOAN REQUESTS TOTALING \$1 BILLION FOR INFRASTRUCTURE PROJECTS. ECUADOR REQUESTED \$691.8 MILLION FROM SAUDI ARABIA, PRIMARILY FOR THE DEVELOPMENT OF THE SANTA ELENA PENINSULA, AND \$297 MILLION AND \$229 MILLION RESPECTIVELY FROM IRAN AND CONFIDENTIAL

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KUWAIT.

2. THE FOLLOWING PROJECTS WOULD BE FINANCED BY THE OPEC COUNTRY LOANS: SAUDI ARABIA: 1) ROAD CONSTRUCTION, \$150 MILLION; 2) PRODUCTION OF WOOD PULP AND PAPER, \$51 MILLION; 3) HOSPITAL EQUIPMENT, \$50 MILLION; 4) ELECTRIFICATION PROJECT: DEVELOPMENT OF THE SANTA ELENA PENINSULA, \$400 MILLION; 5) PAUTE ELECTRIFICATION PROJECT, MATCHING CREDIT OF \$20.8 MILLION; 6) LOW COST HOUSING, \$20 MILLION. IRAN: 1) INTEGRATED RURAL DEVELOPMENT, \$100 MILLION; 2) PROVINCIAL DEVELOPMENT, \$50 MILLION; 3) INDUSTRIAL DEVELOPMENT, \$50 MILLION; 4) SUGAR MILL DEVELOPMENT IN TAHUIN, \$50 MILLION; 5) MARITIME TRANSPORT, \$20 MILLION. KUWAIT: 1) DEVELOPMENT OF FISHING INDUSTRY, \$75 MILLION; 2) FORESTRY DEVELOPMENT IN SOUTHERN ECUADOR, \$70 MILLION; 3) PORT DEVELOPMENT, \$84 MILLION. ADDITIONALLY THE PRESIDENT SUBMITTED TO THE THREE COUNTRIES A SUMMARY OF PROJECTED PETRO-CHEMICAL DEVELOPMENTS.

3. RODRIGUEZ COMMENTED THAT IT WOULD BE ABSURD TO EXPECT FINANCING FOR ALL PROJECTS, BUT THAT THE COUNTRY WOULD SURELY HAVE FINANCING FOR SOME OF THE PROGRAMS DUE TO THE INTEREST INDICATED BY THE OPEC COUNTRIES. HE GAVE NO INFORMATION ABOUT TERMS OF THE PROPOSED LOANS, ONLY COMMENTING THAT TERMS WOULD BE BETTER THAN THOSE AVAILABLE IN QUOTE FINANCIAL MARKETS MOTIVATED BY PROFIT AND SPECULATION UNQUOTE.

4. THE PRESIDENT ALSO IMPLIED THAT ECUADOR WILL RECEIVE SOME OF THE ALGERIAN-PROPOSED OPEC FERTILIZER PRODUCTION OF 250,000 TONS ANNUALLY, TO BE SOLD AT COST TO LDCS.

5. COMMENT: WE WOULD APPRECIATE ANY ADDITIONAL INFORMATION AVAILABLE FROM EMBASSIES TEHRAN, KUWAIT, AND JIDDA, ESPECIALLY REGARDING PROJECTS AND TERMS UNDER CONSIDERATION. THE PRESIDENT STATED IN HIS SPEECH THAT THE LOANS WERE NOT SOUGHT TO MAKE UP FOR BUDGET DEFICIENCIES. NEVERTHELESS, IT SHOULD BE NOTED THAT THE CENTRAL GOVERNMENT BUDGET AND THOSE OF INDEPENDENT AGENCIES WERE PROJECTED ON A PRODUCTION LEVEL OF 210,000 BARRELS A DAY. PRODUCTION HAS CONSISTENTLY BEEN LESS SINCE JUNE 1974. PETROLEUM REVENUES HAVE DROPPED OFF AT LEAST 40 PERCENT IN THE 1975 BUDGET PERIOD AND A CONTEMPLATED REVISION OF THE BUDGET WAS ANNOUNCED LAST WEEK. ALSO, TEXACO/GULF HAVE INSISTED THAT CONFIDENTIAL

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ECUADOREAN OIL BE MADE MORE PRICE COMPETITIVE. ECUADOR, AS A WEAK LINK IN THE OPEC CARTEL, COULD COME UNDER GREAT PRESSURE TO LOWER PRICES TO FINANCE ITS GROWING BUREAUCRACY AND AMBITIOUS DEVELOPMENT PROGRAMS WITHOUT FINANCIAL ASSISTANCE FROM WEALTHIER MEMBERS. AND AS IT COMES UNDER SUCH PRESSURE, IT CAN BE EXPECTED TO TURN INCREASINGLY TO ITS FELLOW OPEC MEMBERS FOR ASSISTANCE.

BREWSTER

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